Coronavirus Response: The Historic Tax Credit as An Economic Recovery Tool

APRIL 24, 2020
Jim Igoe
Executive Director,
Preservation Massachusetts
Brian Goeken, AICP
Chief, Technical Preservation Services
National Park Service
Update on NPS HTC-related Operations in Response to Covid-19

• The NPS remains committed to ensuring that the Federal HTC program continues to operate as close to normal as possible during this period.

• Modifications to our operations are part of implementing the latest guidance from the White House, Centers for Disease Control & Prevention, and local/state authorities to promote social distancing.

• The NPS continues to closely monitor the situation to ensure the safety of the public and employees.
Update on NPS HTC-related Operations in Response to Covid-19

• NPS Technical Preservation Services (TPS) office remains open, with TPS staff primarily teleworking from home at this time.

• TPS review of ‘hard-copy’ tax incentive applications continues as normal, including Part 1s and appeals.

• Mail continues to be received and sent out by TPS, and staff remains reachable by email and phone.

• Review of National Register nominations continues on an electronic-only submission process.
Temporary changes to **NPS review process** during this period:

- Upon completion of TPS review, a “notice of decision” will be issued to the applicant electronically—either an email or a scanned PDF of the signed application cover sheet.

- A copy of the official signed application will be mailed to you as soon as possible thereafter, but there may be up to a 1-to-2-week delay from the time you receive the electronic notice.

- TPS staff may not have immediate access to project files during this period.
Temporary changes to **SHPO review process** during this period:

- SHPO offices remain open and review of Federal and State tax incentive applications continues.

- Contact your SHPO with questions concerning their specific operations before submitting applications.

- Some SHPOs do not have access to office/mail and are **temporarily** reviewing applications electronically:
  - AZ, CT, DC, IL, KS, MN, MS, ND, NJ, OH, UT, WA

- At the conclusion of SHPO review, the applicant will be notified to submit the hard-copy application and supporting information to the NPS directly.
Future **NPS HTC-related operations:**

- Allow use of electronic signatures to sign tax incentive applications (next week?).
- NPS continues to operate a ‘hard-copy’ application review. Electronic submissions are **not** accepted.
- NPS has a ‘Plan B’ in place should we also need to implement a temporary electronic submission process (implemented only if necessary).
- NPS will be permanently implementing an electronic application submission and review process (phased in, over the next 1-2 years).
Update on NPS HTC-related Operations in Response to Covid-19

For the most up-to-date information, go to TPS website at nps.gov/tps:

• Subscribe to TPS email list

• Check Covid-19 webpage for updated information on TPS current operations
Ramona M. Bartos
Deputy State Historic Preservation Officer
North Carolina Department of Natural and Cultural Resources

Tim Simmons
Senior Preservation Architect and Federal Rehabilitation Tax Credit Coordinator
North Carolina Department of Natural and Cultural Resources
Preservation Leadership Forum

2020 NC Report

Historic Preservation in North Carolina: Outreach, Impact, and Value

How we help North Carolina

Authorized by the National Historic Preservation Act of 1966 (“NHPA”), the North Carolina Historic Preservation Office (HPO) is the official state agency for historic preservation in North Carolina. We work in cooperation with the National Park Service and institutions of cities and public transit to accomplish the Act’s purposes as well as state statutory mandates.

Our mission

To help the state’s citizens, private organizations, and public agencies identify, protect, and enhance North Carolina’s historic resources and communities through a coordinated program of incentives and technical assistance for today and for generations.

Identify

The HPO identifies historic places through a comprehensive historic survey program. Since 1976, over 118,000 historic buildings, neighborhoods, and sites have been identified in North Carolina. These represent over 2,000 listings in the National Register of Historic Places (NPR) and over 9,000 individual listings in the state’s official list of buildings, districts, sites, and objects for preservation. For lists of resources in American Indian heritage, archaeology, and culture. The Federal Register program is still in place in the state to ensure federal and state resources are identified and listed in the current listings.

Enhance

The HPO administers the federal and state programs to assist in the preservation and reuse incentives of historic buildings in North Carolina communities. By providing local governments with grants and other incentives, the HPO’s historic preservation programs promote the economic and social development of the traditional and historical neighborhoods and provide an economic incentive for the preservation of these traditional neighborhoods and historic resources. The HPO also provides technical assistance to the state’s citizens, private organizations, and public agencies in identifying and preserving historic resources.

Historic Preservation Tax Credits:

Making a Difference in North Carolina

Historic preservation creates jobs, generates income, and stimulates tax revenue in North Carolina.

Since 1976, rehabilitation tax credits have encouraged $3.435 billion of private investment in North Carolina’s historic buildings. North Carolina has been one of 35 states that has increased its historic tax credits in the federal tax bill. North Carolina has increased its historic tax credit in the federal tax bill.

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<th>Rank</th>
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<td>We are operating with limited staff in our office, but we are teleworking as well and have staggered work hours to comply with social distancing guidelines. <a href="https://aloha.arkansas.gov/shpo/operatingstatus106.aspx">https://aloha.arkansas.gov/shpo/operatingstatus106.aspx</a></td>
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<tr>
<td>2</td>
<td>Alaska</td>
<td>Lee Anne Walford, <a href="mailto:leeanne.walford@alaska.gov">leeanne.walford@alaska.gov</a>, 907-353-2359, Judith Blumer, <a href="mailto:judith.blumer@alaska.gov">judith.blumer@alaska.gov</a>, 907-265-8715, Accessibility website: <a href="https://aloha.arkansas.gov/operatingstatus106.aspx">https://aloha.arkansas.gov/operatingstatus106.aspx</a></td>
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<td>SHPO is operating with limited staff in our office. All staff are working from home via email and phone. <a href="https://www.stateparks.com/holiday">https://www.stateparks.com/holiday</a>, 602-542-4039, 0200, 0200, 20</td>
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<td>California</td>
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Please provide the date for which this information is being submitted.

https://ncshpo.org/
Merrill Hoopengardner
President
National Trust Community Investment Corporation
Coronavirus Pandemic: Impacts on HTC Projects and Overcoming Obstacles
# NTCIC Supporting HTCs Since 2000

**189 NTCIC Investments Since Inception**

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<th>70</th>
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<td>Historic Tax Credit Only Investments</td>
<td>Total Historic Rehabilitation Costs</td>
<td>Total Historic Credits</td>
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<th>88</th>
<th>$2.6B</th>
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<tr>
<td>NMTC &amp; Twinned Tax Credit Investments</td>
<td>Total Development Costs</td>
<td>NMTC Allocation</td>
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Project Impacts

• Coronavirus effects felt across all stages of HTC project lifecycle

• Impacts vary across asset classes
  • Hospitality
  • Commercial: retail & restaurants
  • Office
  • Residential
  • Service providers

• Innovative responses
Construction Obstacles

- Full or partial bans on construction
- Physical distancing: interior vs. exterior
- Health & safety/sanitary considerations
- Lack of materials, supply chain weakness
- Regulatory challenges
  - Building permits
  - Title recordation
  - SHPO/NPS reviews
Investment Challenges

- Potential projects severely delayed and challenged in accessing capital due to investment risk
- Capital sources
- Viable tenants
- Regulatory concerns
  - Local
  - State
  - Federal
Why the Historic Tax Credit?

Adaptive reuse repurposes dormant community assets, leveraging cultural heritage and attracting private capital.

75% of the economic benefits of HTC projects generate local benefits: materials and wages.

Historic building rehabilitations are more labor intensive than new construction: higher skilled workers + higher wages.

Restoring underutilized buildings sets the stage for additional community investment and catalyzes more revitalization projects.
Historic Tax Credit = Economic Recovery

- 44,000 historic buildings rehabbed
- Created over 2.7 million new jobs
- Attracts $4 in private capital for every $1 in public
- Successful tool for economic recovery
  - GO-ZONE Hurricane Katrina legislation in 2005
  - Midwest flood relief in 2008
Patrick Robertson
Principal
Confluence

Steve Stombres
Partner
Harbinger Strategies
Recent Federal Actions Addressing the COVID-19 Pandemic

• Early March – $8.5 billion in preparatory funds

• March 18 – $100 billion for health care, testing, Medicaid, and unemployment (Families First Coronavirus Recovery Act)

• End of March – $2.2 trillion for business support, unemployment insurance, more health care funding, checks directly to Americans, payroll tax credit, airline funding (CARES Act)

• This week – $484 billion to replenish the small business program, add. funds for testing and health care, & support for disaster programs. No changes to underlying rules
What’s Next?

• In debating the refill of the Paycheck Protection Program (PPP), Democrats pushed for billions in funding for states, more direct aid, and other priorities

• All of the actions to date have been about preparing for the virus and stabilizing the economy

• The next step is expected to be continued stabilization and then stimulus
What Could Be in a Stimulus Package?

• Further bailout money – more PPP money, further unemployment insurance, more medical care, direct money for states and perhaps nonprofits

• Infrastructure spending – highways, airports, ports, and related programs

• New tax policy or tax relief – payroll tax, new credits, rule changes to stimulate economic growth
What Are We Looking For?

• Inclusion of HTC-GO (S. 2615/ H.R. 2825)
  – Incentives for small deals, easier for nonprofits to sponsor deals, eliminate basis adjustment, make more buildings eligible
• Create a temporary 30% credit for QREs in 2020-2024
  – Stepping down to 26% in 2025 and 23% in 2026 before returning to 20% in 2027 to stimulate activity
• Ask for parity if other credits are allowed to be offset against prior years’ taxes
• Change IRS rules so that projects in progress are not stopped from using the credit because of the economic shutdown
• Support the preservation community’s appropriations ask for the Historic Preservation Fund and other priorities
Shaw Sprague
Senior Director of Government Relations
National Trust for Historic Preservation
Historic Tax Credit Advocacy in the Stimulus Era

• **Key Message:** historic rehabilitation incentives stimulate economic activity

• **Provide Examples:** in past stimulus packages, use of an enhanced HTC yielded positive results

• **Strategy:** work within existing approaches to help ensure HTC inclusion in subsequent relief packages
Rehabilitation Activity in Louisiana after the HTC was Temporarily Increased
Advocacy Resource Center

At any given moment, preservationists need to serve as advocates for a variety of issues. These resources—from tools to talking points—can equip preservation leaders to make a strong case both on the Hill and at home. The broad range of available resources addresses a variety of national- and local-level issues.

Summary of the CARES Act and Upcoming Webinar

On Friday March 27 the U.S. House of Representatives passed the Coronavirus Aid, Relief, and Economic Security Act by voice vote (it passed the Senate on March 25). The National Trust Government Relations team and others have pulled together a summary of the act and its implications for historic preservation. Read the story and then register for the Preservation Leadership Forum webinar on this important and vital webinar (April 3, 2020).

The Great American Outdoors Act

This week the Senate introduced the Great American Outdoors Act. If enacted, this legislation would be the single largest federal investment in preservation of historic and cultural resources for public lands in our generation, and it would provide the support necessary to ensure America’s historic places are saved for generations to come. This historic legislation combines two important bills: the conservation-dedicated funding bills, such as the Land and Water Conservation Fund, and the Recreation and Historic Preservation Fund.

• Check out the Advocacy Resource Center on Preservation Leadership Forum
Updated HTC Maps and Project Lists


**How the Federal Historic Tax Credit to New Economic Recovery**

The National Trust for Historic Preservation is a nonprofit organization for preserving historic places and supporting responsible development to ensure that communities and their environments are sustainable, livable, and resilient. By preserving historic places, the Trust helps people create a strong sense of community and durée, which can provide economic benefits to local communities. In order to make the most of these benefits, it is important to understand the tax incentives available for historic rehabilitation projects. The Federal Historic Tax Credit (HTC) is a valuable tool for funding these projects, and it can help ensure that they are successful and sustainable. In this article, we explore some of the key aspects of the HTC and offer strategies for maximizing its potential impact.

In order to understand the HTC, it is important to recognize that it is a credit that can be claimed on a tax return. For historic rehabilitation projects, the credit can be as much as 20% of the rehabilitation costs. This means that for every dollar invested in the rehabilitation of a historic property, the owner can claim a tax credit of 20 cents. The credit is available to both individual and corporate taxpayers, and it can be used to offset other taxes owed.

Some key points to consider when thinking about the HTC include:

1. **Tax Credit Eligibility:**
   - The property must be a historic structure, building, or object that is listed in the National Register of Historic Places or that is individually listed on the National Register.
   - The property must be located in a low- or moderate-income area.
   - The rehabilitation project must meet certain design and architectural standards.

2. **Tax Credit Calculation:**
   - The credit is calculated based on the rehabilitation costs of the property.
   - The credit is reduced if the property is located in an area that is not low- or moderate-income.

3. **Tax Credit Expiration:**
   - The HTC was initially created in 1981 and has been extended several times since then.
   - The credit is currently set to expire in 2026, although it is possible that it may be extended or made permanent.

4. **Tax Credit Options:**
   - The credit can be claimed by individuals or corporations.
   - The credit can be sold or transferred to another party.

The HTC has been a valuable tool for historic rehabilitation projects, and it is important to understand its potential impact in order to maximize its benefits. With careful planning and strategic use, the HTC can help ensure that historic properties are preserved and revitalized in a way that benefits both the local community and the national economy.
Coronavirus Legislation Sign-On Letter

• Supports preservation programs in future stimulus bills
  – Urges inclusion of policy recommendations included in HTC-GO and a temporary increase in the credit percentage for HTC projects

• Organization sign-on closes COB, Monday, April 27 – sign on [here]
State Historic Tax Credit Advocacy

- How will states support economic recovery?
- Gathering information about efforts to bolster state HTCs
- Developing resources for HTC stakeholders to enhance advocacy efforts
Staying Up-To-Date

- The National Trust will continue sharing resources and federal advocacy opportunities as they become available.
- Visit our website at forum.savingplaces.org and our social media channels.
- Engage with our monthly Advocacy Newsletter – subscribe here.
- Additional webinars forthcoming – subscribe here.
QUESTION AND ANSWER

Use the chat box on the bottom right to ask questions of the speakers.
Stay Engaged!

• Register for our next webinar “Leveraging Insurance to Aid Your Organization During the Coronavirus” on Tuesday, April 28

• Discounted Forum member rate for webinar participants:
  – Join Forum and help us to continue to provide resources like this webinar
  – Visit bit.ly/2S3DyrD to join at $100 off Forum membership by May 1, 2020
Thank you!

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forum.savingplaces.org

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forum.savingplaces.org/forum-webinar

Contact Us:
forumonline@savingplaces.org